



0000145551

BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP  
Chairman  
GARY PIERCE  
Commissioner  
BRENDA BURNS  
Commissioner  
BOB BURNS  
Commissioner  
SUSAN BITTER SMITH  
Commissioner

Arizona Corporation Commission

DOCKETED

MAY - 8 2013

DOCKETED BY

nr

IN THE MATTER OF THE  
APPLICATION OF ACCESSLINE  
COMMUNICATIONS CORP. FOR AN  
ORDER AUTHORIZING THE  
ENCUMBRANCE OF ITS ASSETS

DOCKET NO. T-04292A-13-0022

DECISION NO. 73868

ORDER

Open Meeting  
May 1 and May 2, 2013  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. On February 6, 2013, AccessLine Communications Corp. ("AccessLine" or "Applicant") filed an application requesting Arizona Corporation Commission ("Commission") approval, pursuant to A.R.S. §40-285, to encumber its Arizona assets in connection with certain financing arrangements to be entered into by AccessLine and Intermedia Holdings, Inc. ("Intermedia"). The financing arrangements are being undertaken in connection with Intermedia's proposed acquisition of Telanetix, Inc., ("Telanetix") (AccessLine, Telanetix and Intermedia collectively, the "Parties") and its subsidiaries, including AccessLine. Telanetix and AccessLine also seek approval of an agreement that has been executed without approval, in which AccessLine participated in certain financing arrangements whereby AccessLine pledged its assets as security for certain financing arrangements of its parent company, Telanetix.

2. The following background and transactions information was provided by the Applicants.

1 Background

2 3. AccessLine is a corporation organized under the laws of the state of Delaware and operates  
3 under the name "AccessLine Voice Services" or "AccessLine." AccessLine's business address is  
4 11201 SE 8th St. Suite #200, Bellevue, Washington 98004. AccessLine is a wholly-owned  
5 subsidiary of AccessLine Holdings, Inc., which in turn, is a wholly-owned subsidiary of Telanetix.  
6 AccessLine was acquired by Telanetix in 2007. In Arizona, AccessLine is authorized to provide  
7 resold interexchange telecommunications services pursuant to Decision No. 69888 issued by the  
8 Commission in Docket No.T-04292A-04-0856 on August 28, 2007.

9 4. AccessLine is authorized to provide telecommunications services nationwide and holds  
10 authorizations to provide international and interstate telecommunications services from the Federal  
11 Communications Commission. After completion of the proposed transaction, AccessLine will  
12 retain its authorization and will continue to provide services to its customers. Further information  
13 concerning AccessLine's legal, technical, managerial and financial qualifications to provide  
14 service was submitted with its application for certification and other subsequent filings with the  
15 Commission and is, therefore, a matter of public record.

16 5. Telanetix is a Delaware corporation with principal offices also located at 11201 SE 8th St.  
17 Suite #200, Bellevue, Washington 98004. Telanetix is a public company traded under the symbol  
18 "OTC BB:TNIX." Telanetix does not hold any authorizations relating to the provision of  
19 telecommunications services. Additional information on Telanetix is available on the company's  
20 website at <http://www.telanetix.com>. Intermedia is a Delaware corporation with principal offices  
21 located at 815 East Middlefield Road, Mountain View, California 94043. Intermedia is a privately  
22 held corporation, which has been in existence since 1995.

23 6. Intermedia's primary shareholder is Oak Hill Capital Partners. Oak Hill Capital Partners is  
24 a private equity firm with more than \$8.0 billion of committed capital from leading entrepreneurs,  
25 endowments, foundations, corporations, pension funds and global financial institutions.  
26 Intermedia, through its operating subsidiaries, is the premier provider of cloud services to small  
27 and mid-sized businesses. Delivered from Intermedia's secure datacenters, these services include  
28 hosted Microsoft Exchange email, VoIP, instant messaging, file management, security, backup,

1 support for the full range of smartphones and tablets, and more. The company's proprietary cloud  
2 infrastructure assures high reliability, and a certified support team is available around the clock.  
3 Intermedia also empowers thousands of partners - including managed service providers and select  
4 Fortune 500 companies - to sell cloud services under their own brand. Founded in 1995,  
5 Intermedia was the first company to offer business-class cloud email and now has 550,000  
6 premium hosted Exchange mailboxes under management. Intermedia's wholly-owned subsidiary,  
7 Intermedia.Net, Inc., in turn wholly owns Intermedia Voice Services, Inc., a provider of VoIP  
8 solutions to many of its customers. Additional information regarding Intermedia is available on  
9 the company's website at: <http://www.intermedia.net>.

10 The Current Transaction

11 7. Simultaneously with the indirect acquisition of AccessLine by Intermedia, Intermedia,  
12 through its intermediate holding company, Intermedia.Net, Inc., will enter into certain financing  
13 arrangements in order to partially fund the acquisition of Telanetix, pay off existing debt of  
14 AccessLine and Telanetix, and increase Intermedia's working capital. As part of these  
15 arrangements, substantially all of the assets of AccessLine (along with the assets of Intermedia,  
16 Telanetix and AccessLine Holdings, Inc.) will be pledged as security ("Financing").

17 8. The specific amounts and terms of the proposed Financing, which may be completed in  
18 multiple issuances and tranches, will not be priced or otherwise finalized until the specific  
19 arrangement(s) have been completed shortly before closing, and will reflect market conditions then  
20 existing. Some of the terms, such as the interest rate, may fluctuate during the term of the  
21 financing due to changes in market conditions. Through a consortium of multiple lenders,  
22 Intermedia has a commitment for approximately \$90 million in financing, including \$85 million in  
23 a new secured term loan and a \$5 million revolving credit facility. In addition, Intermedia has the  
24 ability to borrow an additional \$25 million under the same terms and conditions. The core terms  
25 of the Financing are expected to be substantially as follows:

26 ...

27 ...

9. Borrower(s): Currently, Intermedia.Net, Inc., a Delaware Corporation, is expected to be the sole or primary borrower under the Financing. Intermedia.Net, Inc. is wholly-owned by Intermedia Holdings, Inc.

10. Amount: The Financing is expected to be in an aggregate amount of \$90 million including both the \$85 million secured loan and a \$5 million revolving credit facility. In addition, Intermedia can borrow an additional \$25 million, for a total of \$115 million (subject to certain conditions).

11. Debt Instruments: As noted above, it is expected that the Financing will consist of a term loan and a revolving credit facility, which can be re-borrowed during the term of the commitment.

12. Maturity: The specific maturity date for any debt instruments issued in connection with the financing will be finalized shortly before closing, but it is anticipated that the Financing will be completely repaid within five (5) years of the initial closing of the Financing, subject to certain pre-payment requirements that can be triggered in certain circumstances.

13. Interest: The interest rate will likely be the market rate for similar financings and will not be determined until the financing arrangements are finalized. Depending on the type of debt securities, credit facility(ies) or other arrangements, the interest rate(s) could be a fixed rate (typically set at signing or closing based on then current rate index such as Eurodollar Base Rate or Federal Funds Rate, along with an applicable margin rate) or a floating rate (consisting of a base rate, which will float with a rate index such as Eurodollar Base Rate or Federal Funds Rate, plus an applicable margin), or a combination of fixed rates and floating rates. Initially, the margins are expected to range from 2.50% to 5.50% depending on the type of facility and rate index used.

14. Security: The Financing is expected to be secured by a security interest in substantially all of the assets of Intermedia and its subsidiaries, including the equity held by Intermedia and its current and future subsidiaries in their respective subsidiaries, including the assets of AccessLine. It is expected that each subsidiary, including AccessLine will provide guarantees of a portion or all of Intermedia's obligations under the Financing. The security documents will contain appropriate provisions indicating that exercise of certain rights thereunder

1 may be subject to obtaining prior regulatory approval. Accordingly, Applicant requests approval to  
2 provide guarantees and related pledges of substantially all of its assets, including any equity of its  
3 subsidiaries, as security for the Financing.

4 15. Use of Proceeds: The proceeds of the Financing are expected to repay the existing  
5 AccessLine and Telanetix debt and to fund the purchase of Telanetix, as well as to provide for  
6 working capital and for general corporate purposes.

7 16. In sum, Applicant requests Commission approval, to the extent necessary, to  
8 participate in the Financing including the resulting guaranty and/or related pledge of assets by  
9 AccessLine as security for the Financing.

10 Prior Transaction Seeking Approval

11 17. As part of the due diligence of the current Intermedia transaction, the Parties  
12 recognized that certain prior actions of AccessLine may have required Commission approval. As a  
13 result, in addition to the foregoing approval, Telanetix and AccessLine seek approval of prior  
14 actions for which Telanetix and AccessLine inadvertently did not seek prior Commission approval,  
15 to the extent such approval may have been required.

16 18. On June 30, 2010, Telanetix entered into securities purchase agreement ("Purchase  
17 Agreement") with EREF-TELA, LLC, a Delaware limited liability company ("EREF"), HCP-  
18 TELA, LLC, a Delaware limited liability company (HCPT), and CBG-TELA, LLC, a Delaware  
19 limited liability company ("CBG", and together with HCPT and EREF, the "Purchasers"),  
20 pursuant to which in exchange for \$10,500,000, Telanetix agreed to issue to the Purchasers  
21 \$10,500,000 of senior secured notes (the "Notes") and 287,501,703 shares of Telanetix Common  
22 Stock. The 287,501,703 shares of Common Stock were allocated as follows: 191,667,802 shares to  
23 HCPT (resulting in ownership of 55% of the outstanding shares of Common Stock), 41,071,672  
24 shares to EREF (resulting in ownership of 11.8% of the outstanding shares of Common Stock) and  
25 54,762,229 shares to CGB (resulting in ownership of 15.7% of the outstanding shares of Common  
26 Stock).

27 19. Telanetix issued the Notes and 225,492,765 shares of Common Stock to the  
28 Purchasers at the closing of the transactions contemplated by the Purchase Agreement on July 2,

1 2010 (the "Closing Date"). Telanetix issued the balance of the shares of Common Stock  
2 (approximately 62,008,938 shares) following an amendment to its certificate of incorporation to  
3 increase the authorized capital stock to permit such issuance, which amendment was filed on  
4 September 2, 2010. As a result of this transaction, HCPT acquired direct control of Telanetix and  
5 indirect control of AccessLine.

6 20. As noted above, as part of the Purchase Agreement, Telanetix issued the Purchasers  
7 \$10,500,000 of senior secured notes. The Notes are due and payable on July 2, 2014. The Notes  
8 were secured by all of Telanetix's assets under the terms of a pledge and security agreement that  
9 Telanetix and AccessLine entered into with the Purchasers. AccessLine also entered into a  
10 guarantee in favor of the Purchasers, pursuant to which AccessLine guaranteed the complete  
11 payment and performance of Telanetix under the Notes. These Notes were repaid on December 14,  
12 2012, as part of a Loan and Security Agreement entered into between Telanetix and East West  
13 Bank ("Loan Agreement").

14 21. The Loan Agreement provided Telanetix a term loan for \$7,500,000 with principal  
15 and interest payable over four years subject to the terms of a Promissory Note between Telanetix  
16 and East West Bank ("Note"). The unpaid balance of the Note accrues interest at a rate per annum  
17 equal to the daily Wall Street Journal Prime Rate plus a margin of 1.750 percentage points. Upon  
18 prepayment of the Note, Telanetix is required to pay a premium equal to 1% of the original amount  
19 of the Note prepaid during the first year. There is no prepayment penalty after the first year. The  
20 note is secured by a security interest and lien on substantially all of Telanetix's and its  
21 subsidiaries' assets, including those of AccessLine. On January 16, 2013, the Loan Agreement  
22 between Telanetix and East West Bank was amended to include a \$1 M revolving credit facility  
23 based on Telanetix's accounts receivable balances. The Parties seek approval of both the 2010 and  
24 2012 (as amended) financing arrangements, to the extent required.

25 Staff's Analysis

26 22. A.R.S. § 40-285 requires public service corporations to obtain Commission  
27 authorization to assign or dispose of a utility's assets as proposed in this transaction. The statute  
28 serves to protect captive customers from a utility's act to dispose of any of its assets that are

1 necessary for the provision of service; thus, it serves to preempt any service impairment due to  
2 disposal of assets essential for providing service.

3       23. The Applicants state that the proposed transaction will not affect the rates, terms  
4 and conditions by which the applicants offer service in Arizona. The Applicants also state that the  
5 financing arrangements will not result in an interruption or disruption of service, and will be  
6 seamless and transparent to customers. Additionally, the Applicants confirmed via email that any  
7 deposits, prepayments or advance payments held by AccessLine will not be included in the  
8 proposed encumbrance. Staff concludes that the proposed transaction will not impair the  
9 availability of service to customers since the Applicants provide competitive services that are  
10 available from alternative service providers.

11 Staff's Recommendations

12       24. Based on its analysis of the proposed transaction and the executed transaction, Staff  
13 concludes that the transaction would not impair the financial status of AccessLine, would not  
14 impair its ability to attract capital, nor would it impair the ability of the AccessLine to provide  
15 safe, reasonable, and adequate service. Customers may still have exposure to losses to the extent  
16 they have prepaid for service or made deposits. Therefore, Staff recommends approval of the  
17 application subject to the condition that all customer deposits and prepayments be excluded from  
18 encumbrance. Staff has also confirmed that AccessLine excluded all customer deposits and  
19 prepayments from the transaction that has been executed and for which the Applicants are seeking  
20 simultaneous approval.

21       25. Staff further recommends authorizing the Applicants to engage in any transactions  
22 and to execute any documents necessary to effectuate the authorizations granted. Additionally,  
23 Staff recommends that one copy of the executed security documents be filed with the Utilities  
24 Division Director and a letter confirming such filing be docketed as a compliance item in this  
25 docket, within 90 days following execution of the proposed transaction.

26 ...

27 ...

28 ...

CONCLUSIONS OF LAW

1  
2 1. AccessLine Communications Corp. is a public service corporation within the  
3 meaning of Article XV of the Arizona Constitution.

4 2. The Commission has jurisdiction over AccessLine Communications Corp. and the  
5 subject matter in this filing.

6 3. The Commission, having reviewed the filing and Staff's Memorandum dated April  
7 11, 2013, concludes that it is in the public interest to grant approval as proposed and discussed  
8 herein.

ORDER

9  
10 IT IS THEREFORE ORDERED that the application of AccessLine Communications Corp.  
11 requesting approval to encumber its Arizona assets in connection with certain financing  
12 arrangements and the request for approval of a previously executed agreement in which an  
13 encumbrance occurred be and hereby are approved, subject to the condition that all customer  
14 deposits and prepayments will be excluded from encumbrance.

15 ...

16 ...

17 ...

18 ...

19 ...

20 ...

21 ...

22 ...

23 ...

24 ...

25 ...

26 ...

27 ...

28



IT IS FURTHER ORDERED that AccessLine Communications Corporation be and hereby is authorized to engage in any transactions and to execute any documents necessary to effectuate the authorizations granted.

IT IS FURTHER ORDERED that one copy of the executed security documents shall be filed with the Utilities Division Director and a letter confirming such filing shall be docketed as a compliance item in this docket within 90 days following execution of the proposed transaction.

IT IS FURTHER ORDERED that this Decision become effective immediately.

**BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

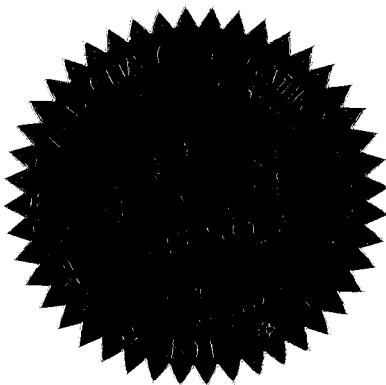
CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER



IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 8<sup>th</sup> day of May, 2013.

JODI JERICH  
EXECUTIVE DIRECTOR

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

SMO:KMS:sms/BH

SERVICE LIST FOR:  
DOCKET NO.

Michael T. Hallam  
LEWIS AND ROCA LLP  
40 North Central Ave.  
Phoenix, Arizona 85004-4429

Glenn S. Richards  
Pillsbury Winthrop Shaw Pittman LLP  
2300 N St., NW,  
Washington, DC 20037

William B. Wilhem, Jr.  
Douglas D. Orvis  
Jeffrey R. Strenkowski  
Bingham McCutchen LLP  
2020 K Street, NW  
Washington, DC 20006

Mr. Steven M. Olea  
Director, Utilities Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007

Ms. Janice M. Alward  
Chief Counsel, Legal Division  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007